# SELECT COMMITTEE ON CONSUMER CREDIT

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August 18, 1964

THE CHAIRMAN: Mr. Weir?

MR. WEIR: Well, sir, if I could make something clear with reference to Mr. White's suggestion. We have discussed it and we are going to need some time to prepare some sort of memorandum to analyze it fully. As to the figures that were discussed, again we have been able to get some additional figures but we are still going to have to, I think, give you a more complete statement on this. To try and discuss them this morning would be a little like yesterday, very hard to make sure that each set of figures is made on the same basis, the same accounting period.

Thirdly, I want to be clear, in view of the discussion yesterday -- and I really in a sense am repeating for a moment -- I want to be clear that so far as profit in the area of service charges is concerned, I have been able to confirm from the experts overnight, that what I said to you yesterday is correct. That is, the best surveys as such in the field indicate that generally speaking the service charges do not pay the full cost. They nearly pay it. Now, as I made clear yesterday and I say again, I can't say that any individual firm who has a very efficient operation may not have shown a profit. I'm sure some have, because, as I say, their facilities to borrow money are higher or lower. I just wanted to make those statements clear, that I had them confirmed in view of the discussion we had yesterday afternoon.

Now, as to this morning, sir, your

agenda has first on the list T. Eaton Company Limited. I represent the T. Eaton Company. I make the basic statement on their behalf that they support the submission made yesterday by the Retail Council.

Now, as I said,-- Mr. Erwin, Mr. Upshall and Mr. Dunford are here. If the Committee wish to direct questions to me or to them we are available so to do. Mr. Erwin on my left and Mr. Upshall on my right.

MR. SEDGWICK: Well, in the light of yesterday's discussion I certainly don't have very much to say, Mr. Weir. I haven't seen the documents that you gave the Chairman this morning, do I understand that the charges made by T. Eatons are the same as the charges shown on page 4 of the brief?

MR. WEIR: Mr. Sedgwick, if you would look at the page of the brief, I will read you the Eaton charges and you will see that there is a very slight variation. For a balance up to $5.00 it is .10¢. From 5 to 15 it is .15¢ -- and in that area it goes along at just about the same level. When you get to 110 to 120 dollars it is again at the same level; when you get around to the table on page 9, it stops at $240.00 whereas the table provided by the Eaton Company goes on from that right through to $1,500.00; in the area of $500.00 to $1,500.00, the service charge is 1.2% and in the area over $1,500.00 the service charge is 1%. So you can see in the lower part of the table they are virtually exact.

MR. SEDGWICK: Yes. That leads me to

my next question. As they would seem to be virtually exact, how do you arrive at those figures. It seems to me there would be three ways of arriving at them. One by agreement, secondly by the action of competition and thirdly but most improbably, because the costs are the same, that is the service costs. You must have some approach to it. How do you arrive at the figures?

MR. WEIR: I am going to ask Mr. Upshall if he would tell us. I'm assuming he was in charge of this when these were last revised. Would you? --

MR. UPSHALL: Yes. This plan was put in in 1959, it was transferred then from the old budget account which was a predetermined carrying charge. When we set the rates for these we tried, as close as we could, come to the same rates spread over on a monthly basis as we previously had. We previously set those rates, as far as we could, taking into account competition and the cost, as much as we could assess it. Maybe that isn't very clear, but this is what we actually did.

MR. SEDGWICK: Yes. Well, then when we find, as we do find, that Walkers, for instance, as the example in the brief, has virtually the same figures, wouldn't they go through the same process? Wouldn't they, in your view, merely adopt your figures as being figures that they couldn't better?

MR. WEIR: Mr. Sedgwick, I'm going to say I think we have to address that question to Walkers.

You appreciate that in comparative size there is a substantial difference between Eaton's and Walker's.

MR. SEDGWICK: I would have thought that a problem would occur when a firm such as Walker's would take what Eaton's and Simpson's were doing and say, "Well, we can't do better, we won't sell if we do". Or isn't that --

MR. WEIR: Well, as I say, you will have to ask Walker's that. I don't think I can --

MR. SEDGWICK: But you used Walker's figures in your brief. Then, as to the credit which you extend for which no charge is made -- suppose I purchase something and charge it and get my bill on the 1st of the month and pay it reasonably soon, -- I might have had free credit for something between 30 and 58 days, correct? That is if I make my purchase on the 1st of August and get my bill on the 1st of September and paid it on the 15th of September, I would have had credit for 45 days at no cost. Is that right?

MR. WEIR: I think, Mr. Sedgwick, there are two ways of doing this. As the example we used yesterday of Walker's, your charge would appear this way and, in fact, using the days you have given you are correct. If you did business with the Eaton Company you might have one of two kinds of accounts. You might have this budget charge account or you might have an open 30 day account. In that event you would be expected and your account would be overdue after 30 days. That's the only difference. The timing

is a little bit tighter but that's all.

MR. SEDGWICK: Well then, to some extent the cash customer is bonusing that credit customer, is that right?

MR. WEIR: The 30 day credit customer?

MR. SEDGWICK: Yes, the 30 day credit customer.

MR. WEIR: I think we have to say that -- like he's bonusing, the man who carries his parcel is bonusing the man who takes the delivery.

MR. SEDGWICK: And in computing your costs do you consider that credit for which he pays nothing as being a factor of the money used for that period of time?

MR. WEIR: I think Mr. Upshall --

MR. UPSHALL: Yes, you do. That's part of the credit operation.

MR. SEDGWICK: You write that into the bundle, do you?

MR. UPSHALL: It's hard to segregate it, it's all done --

MR. SEDGWICK: I quite understand that. It would be difficult,but you have so much money at risk and the money is costing you whatever it does cost you whether it's your own money or the bank's, it really doesn't matter, it's costing you so much and the total cost of that money at risk is included as a factor in your overhead and the figures that you give on this service charge chart are based really on those costs, are

they? The aggregate of those costs?

MR. UPSHALL: The costs are looked at and we try to arrive at something that is reasonably close to the costs and also in competition. There are two factors.

MR. SEDGWICK: I appreciate that. Then, the figures, I suppose, the specific figures, will be in a sense arbitrary. I think one must concede, for instance, that a .10¢ charge for a $5.00 account must involve a loss. You can't service it for that. So to some extent the charge on the larger accounts of four or five hundred dollars must be weighted to offset the loss on the small accounts. Is that right?

MR. UPSHALL: I would say that is true. It may be helpful to you, Mr. Sedgwick, in the States on this type of account the rate runs anywhere from 1¼ to 2% per month.

MR. SEDGWICK: Irrespective of amount, you mean? They do not have a fixed service charge?

MR. UPSHALL: Yes, but it goes 1¼% to 2% per month of balance on these revolving type of accounts. This is the general area of charging in the large stores in the States.

MR. SEDGWICK: Oh, I see. So if it were 2% in the $5.00 range, it would be .10¢.

MR. UPSHALL: I didn't have that in mind so much as trying to give you an idea of the range of rates that are generally charged for this type of account.

MR. SEDGWICK: Ranging, you say, from what?

MR. UPSHALL: It ranges from $1\frac{1}{4}\%$ a month up to 2%.

MR. SEDGWICK: Those are all the questions I had.

MR. IRWIN: Mr. Weir, I believe, yesterday took by way of illustration in regard to Walker's charge, that it was conceivable that a person might obtain credit with no payment for 60 days. Is that correct?

MR. WEIR: Up to 50 some odd days. The account procedure doesn't usually let you get a full 60 days, you get 56 or something I think, or 58 -- I have forgotten the figure -- about that.

MR. IRWIN: Now, you are aware of certain times in which, because of the bookkeeping procedure involved in a particular case, in the extreme situation a person might only obtain credit for a few days and still have incurred service charges. I'm not saying this is the case with Walker's or any other store, but I am aware that this can happen. In other words the billing date is on the 31st and a purchase could be made on the 30th and payment made on the 2nd following the service charge would be incurred --

MR. WEIR: I'm sorry, Mr. Irwin, this is outside our experience. We don't --

MR. IRWIN: Yes. Between those two situations --

MR. WEIR: I'm sorry, Mr. Walker -- Mr. Irwin -- but the only thing that bothers me about your example is it can't be a plan that is operated as the plans we have mentioned here because none of them -- you can't get a service charge until you have had a bill and time to pay it.

MR. IRWIN: I'm just saying -- with certain bookkeeping faults and procedures, this can happen, in a case that I know of.

MR. WEIR: I see.

MR. IRWIN: Now in relation -- if in one instance a person can obtain credit for as much as 60 days, the rate on that credit is very, very low. On the other hand if a person is actually only obtaining credit for a few days the rate is very, very high. If you will forgive me, Mr. Chairman, I apologize to the members of the Committee, but I feel that I would like to determine exactly how long credit is extended, let us say in the case of Eaton's? I have a statement -- please don't think that I'm criticizing -- I'm just trying to find out what it will cost. Now here is account -- the billing date is the 15th of the month. The carried forward balance from the previous month is $513.37 and the service charge is $6.12 which falls in the area charged A - over $500.00 at 1.2%, and the charge is actually $6.12. Payments were made during the month of $100.00 and the balance at the end of the month was $431.75. The May 15th bill shows a previous balance of $431.75 and a service charge of $4.95 -- on you schedule between

$425.00 to $435.00. Then certain purchases were made up to May 15th -- and I don't know what those dates were -- from April 15th to May 15th, and a payment in cash of $30.00 was made on May 9th, so in this case, the $431.75 balance has been outstanding for 30 days -- that's from April 16th to May 15th -- and a service charge was made of $4.95, the cash payment was made on May 9th, so that in fact there is only $401.75 from April 16th to May 9th or for 22 days. Have I got this right?

MR. WEIR: May I see the statement?

MR. REILLY: Was it May 9th when they made the $30.00 payment? So it would only be $401.75 from May 9th.

MR. BUKATOR: I feel this is your wife's account. You couldn't get somebody elses.

MR. IRWIN: If it's your wife's you may get a refund. (Laughter)

MR. UPSHALL: I have your statements here. Your balance forward is $513.37 as of April 15th. And the carrying charge on that, the service charge was $6.12. Now, your point is that you made a payment. When you went into the next statement you made a payment on May 9th of $30.00 and in fact we charged the service charge on the total amount?

MR. IRWIN: Yes.

MR. UPSHALL: That's true.

MR. REILLY: Excuse me, do you charge the service charge on the basis of $431.75 instead of $401.75, you didn't make allowance for the $30.00?

MR. UPSHALL: We didn't make an allowance for the $30.00, we charged it on the $431.75.

MR. WHICHER: Supposing the payment had been $150.00?

MR. UPSHALL: It would have been the same thing.

MR. WHICHER: You would have charged on the maximum balance?

MR. IRWIN: That's what I am trying to discuss. In other words, had the payment been $100.00 on May 9th, there would still be a $4.95 surcharge. Well, let's take it further, let's say $200.00, the charge would still be $4.95. If it had been $400.00 it would still make a charge of $4.95. In other words it's possible (rest of sentence inaudible).

Now let's extend this further. Let's go back day by day. Go back to the $30.00 paid on May 9th. If $30.00 had been paid on May 8th would you still make the charge of $4.95?

MR. UPSHALL: Yes, we would. If it is made three days after billing we would take it off.

MR. IRWIN: So in other words if the payment had been made on May 3rd you would have deducted it from the $431.75? So that here is where --

MR. WEIR: Excuse me one second, Mr. Irwin. I'm sorry, if it is made three days after the billing date -- in this case it would be May 18th.

MR. IRWIN: If it had been made any time up to the 18th you would still charge $4.95 on the $431.75?

MR. UPSHALL: Yes.

MR. IRWIN: So that conceivably --

MR. WEIR: I'm sorry, we are at cross-purposes again. As I understand Mr. Upshall, since the billing date is May 15th, if the balance of $431.75 has not been reduced by May 18th then the service charge applicable to $431.75 will be applied.

MR. IRWIN: But, Mr. Weir, the payment was made on May 9th, which is prior to May 18th and the credit has not been given.

MR. ERWIN: I think we are getting confused here. The May 15th date here, I think, is being interpreted as being the opening balance, whereas, in effect, this is the billing date, May 15th. The $431.75 is the April 15th balance.

MR. IRWIN: There is no quarrel with that.

MR. ERWIN: I think where the confusion is entering in --

MR. IRWIN: So we will go back in time. The balance is $431.75 on April 16th, okay?

MR. ERWIN: Right.

MR. IRWIN: And that is carried forward on the May 15th date, right?

MR. ERWIN: Yes.

MR. IRWIN: And the clerk looks up your schedule and charges $4.95 on $431.75, the previous month's balance. The point I am trying to make here is that a payment has been made nonetheless on the 9th of $30.00.

MR. WEIR: Stop one second now. We don't know the date that payment was taken. What is the practice? When does that payment reduce and not reduce the balance?

MR. UPSHALL: (Inaudible)

MR. WEIR: So it would have to be paid actually by April 18th. I've got it straight. We are in this old business of dates. It would have to be paid on the bill you have given me -- if I can just put a pencil mark on it, to mark it "A" or something because we have got two of them here -- on bill A payment would have to be made on or before April 18th before the service charge is reduced. Does that answer your question?

MR. IRWIN: No. Well, it answers my question but it establishes my point. Let's say, now, that the person who is making out the bill is billing for May 15th. The April 15th balance is $431.75. Now let's just assume that the $30.00 payment instead of having been made on May 9th is made on April 19th, following what you have just established then the charge of $4.95 would still apply?

MR. WEIR: Yes, that is my understanding.

MR. IRWIN: But the credit question -- the charge will be made --

MR. WEIR: The credit will be extended from whatever date the purchase is made.

MR. IRWIN: I'm speaking about the balance, not the purchases. I agree that the balance

is there on April 15th.

MR. WEIR: Which may have been purchased on February 19th.

MR. IRWIN: There is no question about that. I'm speaking about the charge for the 30 days involved from April 15th to May 15th, the balance of $431.75 and the charge of $4.95. But if a payment has been made on April 19th there will be no recognition of that in the form of a reduction of the charge.

MR. UPSHALL: No.

MR. IRWIN: Similarly, I think we established earlier that the amount of the payment is immaterial, that it could have been as much as $400.00 --

MR. WEIR: You are working back to April 15th --

MR. IRWIN: That's right, but what I am trying to establish is that your service charge does not recognized payments made in the 30 day period.

MR. WEIR: You are quite right. You see, I'm sorry, the only words I find difficult to follow are "for which you are charging". You will have to ask Mr. Upshall for what period you can say you are charging. I don't see how you can do this. If you want to work it out on a daily interest theory, excepting to go back and get the date of the purchase and work --

MR. IRWIN: I'm not talking about any theory, I'm talking about this account. According to the account there was $431.75 outstanding for 30 days.

MR. WEIR: I'm sorry, sir, there is no statement on the account you showed me that $431.75 was outstanding for 30 days. There is simply the statement that on the 15th of April the balance in the account was $431. On the statement you showed me I have no idea whether those were purchases early in the month, the middle of the month or the end of the month.

MR. IRWIN: Well, let's make it a fact. Let us assume they were all made, the whole thing was made on April 15th. Now what difference does it make whether the 431 was purchased on April 15th of March 15th or January 15th. The fact of the matter is that -- please forgive me, I am not criticizing, I am simply trying to get at the facts -- according to the statement a charge of $4.95 has been made for the balance outstanding from April 15th. On May 15th the charge was $4.95 in respect to a balance that was on the books 30 days previously. Is that not true?

MR. WEIR: Yes, that's right.

MR. IRWIN: And if a payment had been made after April 18th of any amount, the charge would still be made. Is that correct?

MR. WEIR: That's correct.

MR. IRWIN: Well then, I don't know what to say --

MR. WEIR: I think it is the conclusions that are drawn that we disagree about.

MR. IRWIN: I haven't drawn any

conclusions, Mr. Weir.

MR. WEIR: Well fine. I misunderstood you, Mr. Irwin, you said this establishes or something. Those are the facts, there is no argument on that.

MR. IRWIN: I just wanted to make that clear.

MR. WHICHER: If the account was practically eliminated would the charge still have been the same? In other words this free credit goes both ways. You give free credit up to 58 days but you also charge.

MR. WEIR: Well, for the first initial we do.

MR. IRWIN: I was going to get on to that. Supposing the purchase that you made on April 15th, this $431.75, was just one purchase and supposing that that had been paid off between April 19th and May 15th, and this is the first purchase ever made on the account and maybe the last. Would the charge be made?

MR. UPSHALL: No.

MR. IRWIN: Well, if I come in on April 15th and bought something for $431.75, you would open an account and let us say on May 9th it was all paid off, I would not be charged?

MR. UPSHALL: No charge.

MR. WHITE: What if the purchase had been made on March 19th?

MR. UPSHALL: If it had been made on March 19th, on April 15th that balance would show as a

balance, as a total, carried forward.

MR. WHITE: Then if you pay in full before --

MR. UPSHALL: If it's paid in full in 30 days there is no charge.

MR. IRWIN: In other words on the initial purchase there is no charge if it is paid within 30 days.

MR. WEIR: That's right.

MR. BUKATOR: Regardless of the date?

MR. UPSHALL: If paid within 31 days there would be a charge.

MR. BUKATOR: Then the bellyache comes in.

MR. WEIR: If there is a billing period in between and the balance is carried forward then there could be, but if it is paid before the next billing date, no charge.

MR. IRWIN: Well then, if was purchased on -- let's see, the last previous billing date would have been March 15th. If purchase had been made on March 16th there would be a billing on April 15 --

MR. WEIR: With no charge on it. The charge would be then on the following billing on the 15th of May.

MR. IRWIN: But that would only apply then in respect to the very first purchase. Is that correct?

MR. WEIR: No, no, it applies to all purchases.

MR. IRWIN: Well, following the account along, if a purchase is made of $25.03 which introduces the next balance of 431 would be -- increases the balance for which a charge was made and I would gather from this that the charge applies to the $25.03. I mean there is no next balance of $431.19 after a charge of $25.03. If I'm going to get credit for the first 30 days on that purchase you would think there would be an adjustment here of $25.03 on the next balance for which a charge is made, but that isn't true.

MR. UPSHALL: You get a billing date with a balance and you make a purchase in that ensuing month, the charge you get does not include that purchase, it is the second billing that includes that.

MR. IRWIN: Oh, yes, that I agree with. The $25.03 could have been made on May 16th presumably.

MR. UPSHALL: Yes.

MR. IRWIN: And the next charge is made on June 15th. I don't see how what you are saying is recognized, but supposing we leave it at that. I think you know what I am driving at. I just want to find out what is your procedure in regard to charges. Could I ask the Chairman that you make sort of a precis that this is how we charge in representative cases?

THE CHAIRMAN: Yes. I understood, Mr. Irwin, that we were going to go over some of these things with you anyway.

MR. IRWIN: I'm not clear now on how the $25.03 purchase affects the charge. It doesn't appear to me to affect the charge in any way, but maybe there is something I don't understand. But I think the first set of questions you have answered. In other words , a balance carried forward from 30 days prior would result in a charge on that balance even though some or all of that amount had been paid. Is that correct?

MR. SEDGWICK: I want to refer, if I may, Mr. Weir, to the question I asked earlier. When I asked it I did not have any of the different service charge charts which you gave the Chairman, that I have been looking at. I just wondered if one your experts would be good enough to check my conclusions. Do you have copies of these?

MR. WEIR: Not in front of me, sir.

MR. SEDGWICK: I have four, five really. I have Walker's, which is in the brief, and then I have Eaton's, Freeman's, Morgan's and Simpson's. Do you have those?

MR. WEIR: Well, I think I know pretty well what is in all of them.

MR. SEDGWICK: Let us take $200.00, because it is an easy sum, as the previous balance. Walker's would charge on that $2.70. Is that correct?

MR. WEIR: Yes, sir.

MR. SEDGWICK: And then Eaton's -- and I am looking now at Eaton's sheet for $200.00 -- they would charge $2.75. Is that correct? I just want you

to check and make sure that I'm right.

MR. WEIR: $2.70, Mr. Sedgwick, I think.

MR. SEDGWICK: Well, on mine it says $195.01 to $205.00, monthly service charge is $2.75.

MR. FLETCHER: If I may clarify this, gentlemen. You are looking at a store statement and Mr. Weir is looking at our catalogue.

MR. SEDGWICK: Well, let me take the store statement because it is the one you gave me.

MR. WEIR: All right, sorry -- $200.00 is $195 to $205 -- $2.75, right.

MR. SEDGWICK: Then Freeman's adopt a different basis and Freeman's according to the statement I have been given, charges 1½% on balances of less than $500.00, so their charge would be $3.00; is that correct?

MR. WEIR: Correct, sir.

MR. SEDGWICK: Yes. Then Morgan's, according to this document, charge 1%, they say "A modest service charge of 1% of your balance owing will be added to your account". So they will charge $2.00. Is that correct?

MR. WEIR: That's correct.

MR. FLETCHER: That depends on the type of account. We have two types of accounts.

MR. SEDGWICK: Oh, I see. I was just going by this document.

MR. FLETCHER: We have a permanent

budget account which is for soft goods and we have a continuous payment account which is for hard goods. The service charge on the hard goods is 1% and the service charge on the soft goods is 1½%. It depends on the account that you have whether it is $2.00 or $3.00.

MR. SEDGWICK: I se.. So that unlike Eaton's and Simpson's you discriminate in your charges between hard and soft goods, is that right?

MR. FLETCHER: That's correct.

THE CHAIRMAN: What is your name, sir? Fletcher?

MR. FLETCHER: Fletcher, yes.

MR. SEDGWICK: You are with Henry Morgan; is that right?

MR. FLETCHER: That's right.

MR. SEDGWICK: So that in the case of hard goods your monthly service charge would be $2.00 and in the case of soft goods would be $3.00, is that correct?

MR. FLETCHER: Correct.

MR. SEDGWICK: And then at Simpson's, between $190.01 and $200.00 the charge is $2.70. Is that correct?

MR. UPSHALL: That's Simpson-Sears.

MR. SEDGWICK: So that it would seem there might be a variation of as much as a dollar on the 1% that you charge on hard goods, which would be $2.00, up to Freeman's standard 1½% or $3.00. Am I correct?

MR. WEIR: That's correct, yes.

MR. SEDGWICK: The question I asked earlier as to whether these charges are uniform was answered by saying they are reasonably close but they aren't uniform.

MR. WEIR: I'm sorry, if I misled you that they were uniform, I didn't mean to do that.

MR. SEDGWICK: No, but you said they were virtually the same. It seems to me if we take $2.00 as the low and $3.00 as the high there is a --

MR. WEIR: Actually, Mr. Sedgwick, if you take it in what could be called department store merchandise generally, leaving out that 1% of Morgan's you see the range seems to be from $2.70 to $3.00.

MR. SEDGWICK: Yes, that is right. Thank you very much.

THE CHAIRMAN: Mr. Whicher, do you have any questions?

MR. WHICHER: This is extremely difficult because I certainly know how reputable the firms are that we are dealing with, but, Mr. Weir, you told us time after time, there is no money made in this business of credit.

MR. WEIR: I don't know why this keeps revolving. I've tried to say it so many times, Mr. Whicher. I'm saying all studies show the average merchant -- but I can't say no money is made. Mr. Brown in Windsor may have such a highly efficient organization that he instead of subsidizing his cash

customers actually is reducing prices to his cash customers because he is able to handle his charge so effectively.

MR. WHICHER: I agree with you 100%, but I am thinking about when Simpson's or Eaton's or anybody else charges a service charge of whatever you want to call it -- of 18 or 20% -- and the public is taught by their bank managers and reputable mortgage companies and so forth that they are getting rooked by paying 20% for their car, I would think that the public would feel if they were paying 18 or 20% on a piano to Eaton's or Simpson's that they charge too much too?

MR. WEIR: Of course, but they aren't paying 18 or 20% on a piano.

MR. WHICHER: They aren't?

MR. WEIR: They are not. I don't know where this -- after all the discussion yesterday afternoon -- no matter how you fool around with this charge, it is not interest in this sense. You can say if you want to carry a $1,500.00 piano and you want to service it, it is going to cost you 1% of the balance you leave outstanding on the balance you leave outstanding at the end of the month, to do it. Now that's the minimum rate of 1%. You hit at a high figure. Now, you can translate that, for your purposes, that if you are in default for a whole twelve months and make no payments on it, yes, it will cost you 12% to have an overdue account at Eaton's for 12 months.

MR. WHICHER: As a matter of fact, after

listening to what Mr. Irwin says, substantial payments could be made at certain periods of the month and the service charge or whatever you want to call it, the percentage of interest becomes considerably more than 1%. I think that has been proved by what Mr. Irwin said.

MR. WEIR: That's you see where I -- Mr. Irwin, when we tried to discuss this this morning, I said to do this on a day accrual and work out some kind of daily interest rate is a complex job and I certainly don't want to -- because I agreed with the situation of Mr. Irwin's -- now give the impression or something that the figures I gave you yesterday are incorrect. They are not.

MR. WHICHER: That's right, I know that and I'm not doubting it, but I'm thinking about the public --

MR. WEIR: The public are the people who we are most interested in.

MR. WHICHER: So are we, that's why were here.

MR. WEIR: Are interests are common because certainly nothing interests the T. Eaton Company more than the public having a high regard and coming to the stores as frequently as possible.

MR. WHICHER: Well, there could be a conflict of interest between a couple of different interests as far as the T. Eaton Company and the T. Eaton Company shareholders and the public is concerned, though. Right?

MR. WEIR: May I pass that, because it would take a long discussion to work out the difference between those three elements, I agree.

MR. WHICHER: For this reason -- I want to ask you this question -- once more I'm not doubting your figures at all, I believe you. But once more I am thinking about this Republic and the reasons that this Committee is sitting. Would it be possible -- I realize it wouldn't be easy but with a public company with shares that the public owns, would it be possible to put in black and white exactly what some of these charges are? And whether they make any money on them?

MR. WEIR: Sir, first I say no, because if we are going in to taking one independent businessman -- and I can find you one in the Province I am sure, if I looked long enough -- who made money. Are we going to bring him up and parade him as against -- and do we bring the men who lost money on it and praise them? We have tried very hard in the Retail Council to get to the basis and the bottom of whether merchants make or lose money on this thing. Very extensive studies were made in the United States, which we have considered, examined, tried to compare their bases with the bases in Canada, and that led to the statement that I made yesterday. I wouldn't like to ask any independent businessman to come before this Committee and have his books analyzed, and say, "Now, you are the culprit, you are making money on your service charges". No. I don't know whether such a man

exists or not, but I don't think I would be prepared to try and find him in the Retail Council and then bring him here.

MR. WHICHER: We do know one thing from the records, that finance companies do make money charging 18%.

MR. WEIR: Well, sir, I'm sure they do and I wouldn't be critical of them or otherwise. But we don't happen to be in the same business.

MR. WHICHER: But when you are loaning money which --

MR. WEIR: We are not loaning money.

MR. WHICHER: Well, you are giving credit.

MR. WEIR: We are giving credit and we are giving a service.

MR. WHICHER: And the customer is paying for it.

MR. WEIR: What's wrong with that?

MR. WHICHER: Nothing wrong with it at all.

MR. WEIR: As long as we are going to be equated with small loan companies and what not I can only say it was a waste of our time to be here yesterday afternoon because I was endeavouring to explain to this Committee, on behalf of the Retail Council, that we are not in the money loaning business. Now the Committee may conclude otherwise and I can't do anything about it. There is no point in putting questions to me that equates this business with the

money loaning business because I can tell you that I would be forced, by the nature of the facts, to answer those questions in the negative.

MR. LAWRENCE: In the United States, where extensive studies have been made, you mentioned earlier this morning that they charged roughly between $1\frac{1}{4}$% and 2% per month. In the United States do they use the term percentage which here we shy away from?

MR. WEIR: No, we don't shy away from it, sir. The material I gave Mr. Sedgwick, we say the service charge, if you let this month's payment go over the billing date will be 1%, in the case of Freeman's, I think, of $1\frac{1}{2}$ in the case of Freeman's and 1% in the case of Morgan's. There is no shying away from percent provided it's not turned into, as I say, an annual thing. Because if you are going to do it on an annual basis you have got different considerations, which I spent a long time trying to explain yesterday.

MR. LAWRENCE: But by the same token, Mr. Weir, it would be then unfair to finance companies, let's say, because they are charging 2%, but they are not working on a 24% per annum interest area.

MR. WEIR: I don't know enough about the finance companies --

MR. MACDONALD: I don't think there is any point, Mr. Chairman, in arguing the semantics of this. If Mr. Weir wants to say this isn't an interest charge he can say it. We can say that it is an interest charge and from the consumer's point of

view it is an interest charge.

MR. WEIR: Well, Mr. MacDonald, if that's the conclusion. You are the Judge, I'm only the Counsel. I tried to explain to this Committee yesterday why it was. If I didn't satisfy you --

MR. MACDONALD: From the point of view of the consumer, he is paying from $1\frac{1}{4}$ to 2%, he's paying from 16 to 24% calculated as an effective annual interest rate. And from the point of view of the consumer, I don't know why you continue to argue the case and weaken the position you are making. I repeat what I said yesterday, the case you were making yesterday I think is a fairly valid case but you weaken it by exaggerating it. You persist in doing it this morning.

MR. WEIR: It would not be proper for me to make a comment on a statement such as I was incompetent enough to exaggerate my case. I tried to give you the facts as I know them. I can't prevent you saying they are inaccurate and therefore I was exaggerating.

MR. MACDONALD: I'm not saying they are inaccurate. What I am saying is that if a consumer is paying $1\frac{1}{4}$% a month, this is the equivalent of a 16% a year annual interest. That's what he has to contend with when he goes to a finance company and I don't think there is any point in you arguing that it isn't what he has to contend with when he goes to a department store.

MR. REILLY: Except, Mr. MacDonald,

that with a finance company he may pay that over a prearranged basis, over 24 months or 36 months. This can be done on a 30 day basis -- that's quite a difference.

MR. MACDONALD: Sure. It can be paid the day after the account has gone out and he still has to pay the whole charge.

MR. REILLY: No, not as far as the accounting -- it's 30 days.

MR. MACDONALD: No, no, -- in the case here, that bill was $431. The man could have paid $400 on April 19th and he still would have had to have paid an interest rate, the equivalent --

MR. REILLY: But that's after 30 days, Mr. MacDonald.

MR. MACDONALD: I'm not arguing about whether it's after 30 days, I'm talking about the period from April 15th to May 15th. This is what we are talking about. And what interest rate is he being charged? The fact of the matter is he could pay back practically the whole bill and at the end of it has to pay the full interest rate at the rate of $1\frac{1}{4}$ or $1\frac{1}{2}$, whatever it happens to be in the particular case.

MR. REILLY: Because he preferred to buy it that way. He can go up to the corner bank and get the money and pay off the account if he wants to.

MR. MACDONALD: I'm not arguing. All I'm telling you is he should know that this is what he

is doing. What we are trying to do is get at the facts. Now we have been trying now for a day to get Mr. Weir to at least accept the fact that the consumer has to pay this and that it is the equivalent of interest.

MR. REILLY: Well, I'm not so sure that I accept that statement either.

MR. MACDONALD: Well, that doesn't surprise us.

MR. REILLY: Because what was the equivalent to interest may be a cost of acquiring merchandise, but whether it is interest or not in the true sense of the word "interest."

MR. WHICHER: What difference does it make whether it's cost?

MR. REILLY: All the difference in the world, as far as I'm concerned. You have to pay personnel to interview people, you have to pay personnel, under the circumstances that's wages, that's not a question of true interest.

MR. WHICHER: So do finance companies have to pay --

MR. MACDONALD: Exactly, they all have a mixture of things, pure interest rate and administrative charges, wages and everything else. And from the consumer's point of view, he has to pay this. And what we are trying to do is get a yardstick and that yardstick is the effective annual interest rate.

MR. REILLY: It isn't in this kind of

business.

MR. MACDONALD: Well, the thing that interests me -- I got the impression yesterday that on Mr. Weir's part there was a great reluctance to express this in percentages. He now concedes, though I wasn't even aware of it until we heard of the sheets this morning, that when you get to Morgan's and you get it for Eaton's and you get above 500, they go on to interest rates.

MR. WEIR: Sir, they don't go on to interest rates -- why do I --

MR. MACDONALD: They go on to percentages. 1% for one month, ranging -- no, $1\frac{1}{4}$ to 2%. And apparently this is the standard procedure, according to Mr. Upshall in American department stores.

MR. WEIR: It's done, Mr. MacDonald -- we have to correct this thing -- it was done in American department stores largely by sets of tables. I don't mean that some of them don't adopt the system Freeman's has -- this is a mixture of ways of stating the service charge. Now I don't want to repeat, Mr. MacDonald. You're free -- we had the debates in the Supreme Court of Canada as to what is interest and otherwise. I don't want to debate all this ground with you again. What I do say to you -- and I don't want to be equated with the -- I know nothing about the finance company or anything else -- I am quite prepared, if you want to turn these things for accounting purposes or for some evaluation, to take a series of example accounts and work out what a daily

rate of interest would be if you treat the whole charge as interest. That's comparable and it's a mathematically possible thing to do. Now I don't want any conclusions left from Mr. Irwin's question this morning that this changes the basic statements I made yesterday because I think I can demonstrate it does not. Now, if you want to equate it with interest -- it is a view that I don't subscribe to and I urge on the Committee is a wrong view -- there is no point in our quarreling over the fact that I won't agree with those who do characterize it as interest.

MR. IRWIN: We are back to that wonderful thing about democracy. We agree to disagree.

MR. MACDONALD: You might be interested to know why we are persistent on this point. We have had witnesses come before this Committee and say you can't calculate what the effective annual interest rate is going to be on certain charges. It can't be done. And we have since discovered that they operate from tables and they know what it is. In other words those witnesses came before us and said you can't do it when they themselves were operating from tables which they got from Boston or Chicago or someplace else, --

MR. WEIR: There are books written on this subject, Mr. MacDonald.

MR. MACDONALD: -- based on an interest rate.

MR. WEIR: There are books on this

subject of how you calculate equivalent interest in installment contracts. I understand there are several learned mathematicians disagree. That doesn't mean that some people don't adopt one system as against another.

MR. IRWIN: The confusion arises only because there are four or five different formuli which might be used in solving a particular problem. If you have five different people solving the same problem by five different formulas you will get different answers. But if you select the one most accurate formula, which would be the actuarial formula, and give the same problem with the same terms of reference to five people with directions to use the actuarial method, you will get exact the same answer from the five of them.

MR. WEIR: I'm sure if you use the same formula you should get the same answer, if you can add and subtract.

MR. IRWIN: I think the point here -- I can't let this pass -- that this suggestion that it is a difficult or impossible problem is not true.

MR. WEIR: Well, Mr. Irwin, I don't think it's any part of my brief to discuss this.

MR. IRWIN: Well you just made a statement --

MR. WEIR: Well, I was answering something of Mr. MacDonald's, but as I say I'm not going to get in today -- there are books on the subject

and you and I can both read them.

THE CHAIRMAN: Mr. Lawrence?

MR. LAWRENCE: As I understand it, prior to '59 you had three different types of credit accounts. You had the old budget plan, you had the old DA, or deposit account, and then you had a straight open charge account. In '59 the competition and Sears-Roebuck rearing its ugly head into the economy here, you changed things --

MR. WEIR: As a matter of fact, we were the first ones in Canada to do it.

MR. LAWRENCE: In any event now there is a budget charge account, you call it, an open charge account. Now you may not want to answer this for competitive reasons and if so say so and we will understand. But can you tell us at the moment, of the two accounts -- I'm talking now of your store accounts -- approximately the percentage of accounts that are the open charge accounts in relation to the budget accounts?

MR. UPSHALL: In number or in dollars?

MR. LAWRENCE: Well no, let's make it easier for you. Can you say what percentage of your account customers are the open charge account? That shouldn't tie your hands as far as any competition is concerned. If you don't want to, say so.

MR. UPSHALL: I'd prefer not to answer that.

MR. LAWRENCE: All right. I don't think it's really relevant here at all. I'm sure we

can get some of this information from government statistics which would cover the whole field rather than just Eaton's alone.

Now, in any event, in '59, when you changed over from the three accounts to the two accounts -- is this actually what happened?

MR. UPSHALL: We do have DA.

MR. LAWRENCE: You still have DA. Well, in any event you still have the three accounts then. Prior to '59 on your budget plan, when somebody came along to purchase things on the BP they went up to your office and they signed a contract after they had ordered the goods, if I remember correctly. They signed a contract to pay you back so much per month or per week or every two months and if I remember rightly that was based on an annual percentage per year charge, was it not?

MR. UPSHALL: No, it wasn't. It was based on a carrying charge for varying balances. It was never, to my knowledge, on a percentage basis.

MR. LAWRENCE: Never at all? What were the carrying charges based on?

MR. UPSHALL: Well, the carrying charges were again the same as these, an attempt to recover as much of the cost as we could and compete.

MR. LAWRENCE: And how about the old DA? Were they not expressed then -- maybe they still are, I don't know -- on a percentage per month or percentage per year, say?

MR. UPSHALL: Well, the DA -- there is no

charge on a DA account. This is where money goes in on deposit and charges are made against that credit balance.

MR. LAWRENCE: Yes, and it is possible, of course, to have a debit balance on a DA.

MR. UPSHALL: Usually you have a debit balance on a DA, then you've got a charge account. That is, you've got a balance owing in 30 days.

MR. LAWRENCE: Did you not express on the original card the customer had to sign that you would pay them interest at so much?

MR. UPSHALL: That's right.

MR. LAWRENCE: And if they went into the debit, wasn't it also expressed so that the charges were on a percentage per annum basis?

MR. UPSHALL: No, sir.

MR. LAWRENCE: They're not, eh. Just on the deposit alone.

MR. UPSHALL: There was a credit given where there was a credit balance being carried in the account, but if it went into a debit there was no percentage of any kind, to my knowledge, ever in any of these.

MR. LAWRENCE: And then, of course, on the straight open account, which you still have, there is no charge one way or the other.

MR. UPSHALL: There are no charges on it if it's paid. If it's not paid then there is a penalty charge.

MR. LAWRENCE: Now, the 1¼ to 2% charged

in the States on some of these things -- I gather there is legislation, is there not, in some of the States regulating these things, Mr. Weir, as far as an expression of a percent per year?

MR. WEIR: I'm sorry, I'll have to check this, but I think in New York State the maximum that can be charged is around 3 or 3½% of the -- the service charge cannot be larger than 3½% --

MR. LAWRENCE: Of the balance outstanding for that month?

MR. WEIR: I think it is a figure around that anyway.

MR. LAWRENCE: Can you tell us -- because this is a field that we have just gotten into, quite frankly -- can you tell us if this is expressed on an annual rate or a monthly rate? Or both?

MR. WEIR: I'm sorry, I just can't recall how it is expressed in New York.

MR. LAWRENCE: Well, one other thing; I gather there is a difference in rates as well between your store accounts and your mail order?

MR. UPSHALL: There is a slight difference in the budget charge account in the two things, but it's a very minor one. I think it's five or ten cents.

MR. LAWRENCE: This is an internal thing in Eaton's though? You are not set up like Simpson's with two different --

MR. UPSHALL: It's all one company, our catalogue and our store are all one.

MR. LAWRENCE: Is this, therefore, an internal accounting procedure that you set up in regard to costs or competition within the --

MR. UPSHALL: It's made up by different divisions of the same company. Competition is certainly a factor, but we don't sit down and make one set of rates for each.

THE CHAIRMAN: Mr. MacDonald, do you have any further questions?

MR. MACDONALD: Mr. Chairman, there is just one, I think. The others have been exhausted.

Yesterday there was considerable discussion as to the amount of money spent in Canada in retail purchases and what percentage of this was on credit. And we weren't able to arrive at overall statistics. I wonder if Mr. Upshall is in a position and feels free to indicate to us what percentage of Eaton's sales are on credit?

MR. UPSHALL: I'm not able to give you that.

MR. MACDONALD: You haven't got it?

MR. UPSHALL: No, I just don't have that information.

MR. MACDONALD: Presumably it's available?

MR. UPSHALL: Oh, yes, I think it's available.

MR. WEIR: Let me put it this way: I'm sure there are accountants in the store who would have the information. Mr. MacDonald, all I would say is I will

take your question under advisement. I don't think I can give you a commitment. I don't know the implications.

THE CHAIRMAN: Mr. White?

MR. WHITE: You know approximately though, three-quarters or one-third or something like that, approximately?

MR. ERWIN: Around one-half, I would say.

MR. WHITE: Around a half. And of the half that is sold on credit, would about half of that be on the budget charge account and half on the open account?

MR. ERWIN: I would prefer not to guess at that.

MR. WHITE: Now, am I correct in thinking that you would total the service charges from customers at the end of each month as part of your accounting summary? And am I correct in thinking that you would reckon the amount of money at risk during that month?

MR. UPSHALL: Well, we would certainly have an accounting of receivables, if that's what you mean.

MR. WHITE: And would you relate the service charges to the money at risk?

MR. UPSHALL: Would we?

MR. WHITE: For your own guidance? I'm sure you do. You would do that because this would be a very ready test of whether your charges were

appropriate for the money at risk. Am I not correct in that?

MR.UPSHALL: Well you could make the calculation of your total revenue against your total receivables and come up with a figure.

MR. WHITE: Yes. Are you doing that now?

MR. UPSHALL: No, sir. It may be done on an overall basis but we do not feel it is --

MR. WHITE: But you do acknowledge that this could be done?

MR. UPSHALL: It could be done, yes.

MR. WHITE: And then you could reckon from these two figures the interest for that month?

MR. UPSHALL: Let's say the revenue.

MR. WHITE: Yes, the revenue for the month, quite right. Then you could reckon very easily the revenue as a percentage of the money at risk.

MR. UPSHALL: Oh, mathematically you could.

MR. WHITE: And you could then, presuming you were provided with a formula, convert this into an annual percentage charge?

MR. UPSHALL: Mathematically, in bulk, I could see this.

MR. WHITE: You see no problem in that. Thank you.

THE CHAIRMAN: Mr. Kerr, do you have any questions?

MR. KERR: Mr. Weir, I think, getting

back -- I know we have been flogging this quite frequently now, yesterday and today -- I think you have said that the difference here is not the use of money, it's the use of merchandise, you might say, on time. This is the difference between -- one is interest and the other is a service charge. And I was just thinking of a situation where it would be a very busy account where, say,there were purchases almost daily, the secret would be, I suppose, to reduce that account the day before billing day. Is that correct?

MR. WEIR: The day before the next billing day, yes. Once you got your list of purchases and before your next billing day.

MR. KERR: I see. And the reason you say you don't feel the customer should be told that the annual interest rate is so much is because of the fact that a person might purchase goods in January and those goods might be paid for in March and therefore you might say the charge is over as far as those goods are concerned. He buys something in Februray and he pays for it in May, the charge is over as far as those goods are concerned. Therefore, how could you say over a 12-month period you are paying so much interest.

MR. WEIR: You can't predict the customer's actions.

MR. KERR: Because of the fluctuations in the purchasing and the payments.

MR. WEIR: That's correct.

MR. KERR: There is a series of -- I was going to say a series of loans -- but there is a

series of charges here which are accumulating on a customer's sheet or card at the same, from the same particular merchants.

MR. WEIR: Correct.

MR. KERR: That's all.

THE CHAIRMAN: Mr. White?

MR. WHITE: When you get this monthly report and you see your accounts receivable and you also see the total service charges for that month, you yourself are naturally adept at comparing these figures, comparing the figures with previous periods and so on. I mean to say, this is your --

MR. WEIR: He said he could make the calculations but at the present time he doesn't.

MR. WHITE: I know, I understand that. I know he's not calculating, but I mean -- what is Mr. Upshall's position?

MR. WEIR: Mr. Upshall's position is he has just changed from being Manager of the Credit Department in Toronto to being Manager of the Contract Credit Department across Canada.

MR. WHITE: And Mr. Erwin?

MR. WEIR: Mr. Erwin is Manager of the Credit Department in Toronto.

MR. WHITE: Well, I mean to say these gentlemen, Mr. Weir, are acknowledged experts in the field of credit and they are looking at figures all day every day and they are provided with the most sophisticated monthly reports imaginable. I know that in my company, before I sold my company, we had very good monthly reports

and all of these figures and ratios were extremely important to our operation. Now I will accept the assertion that service charges are not shown as a percent of receivables. Nonetheless these two gentlemen will know how they run pretty well and I suppose.....

MR. WEIR: All right, Mr. White. I don't know whether they know how they run or not.

MR. WHITE: I couldn't believe they don't know how.

So now I'm going to put this to Mr. Erwin or Mr. Upshall. Would your service charges be in excess of 2% of the month-end receivables, as a general rule?

MR. ERWIN: I'll try to understand your question.

MR. WHITE: Well, let's say your accounts receivable on your budget charge account at the end of the month is a million dollars. If your service charges for that month were $20,000.00 then that would be about 2%, wouldn't it?

MR. ERWIN: That's right. Well, our revenues for a month would certainly not be 2%.

MR. WHITE: You are excluding your open charge accounts in making that statement?

MR. ERWIN: Yes.

MR. WHITE: You are thinking of your service charges in relation to your budget charge accounts only? Or cycle accounts or whatever you want to call them.

MR. ERWIN: That's right. On revenue-

producing accounts.

MR. WHITE: Would it be in excess of 1%?

MR. ERWIN: I would think it would probably be less than 2%.

MR. WHITE: Would it be fair to say $1\frac{1}{2}$%?

MR. ERWIN: Without having figures available I would say that is definitely high.

MR. REILLY: Would this be information that you would want to reveal to your competitors? (Laughter)

THE CHAIRMAN: Mr. Reilly, do you have any questions?

MR. REILLY: Yes, I have a few comments. I'll answer questions. (Laughter)

I was talking to the Chair -- are you the new Chairman? (Laughter)

First of all I would like to tell friend Whicher that we have moved into a different area now. When I was a youngster I was taught thrift. The thing to do was to be provident. Today there is a different attitude entirely on the part of a lot of teenagers and a lot of youngsters and a lot of oldsters, perhaps.

THE CHAIRMAN: That's a part of the system you support.

MR. REILLY: All right, if it's here, let's recognize it and let's recognize that the people who are here today and are giving this service to the

people who want this service. And under the circumstances I would suggest to Mr. Whicher that I'm interested in the little man and it's the little man who is making the purchases on the budget payments and it's the little man, if we didn't have services provided by people who are listed in this Retail Merchants Association the little man wouldn't be able to provide himself with a refrigerator and with a stove and with all the other things. And this is a service that is being provided and for which he is willing to pay.

THE CHAIRMAN: We are getting a little off the point.

MR. REILLY: Oh, we've been off the point for a long time, Mr. Chairman. Let's not stop it for 30 seconds when I get on the floor.

THE CHAIRMAN: (Inaudible)

MR. REILLY: All right. I'll abide by the will of the Chair. I'm happy.

THE CHAIRMAN: I think maybe Mr. Irwin has some questions.

MR. IRWIN: It's not so much a question as I would like to have Mr. Weir clarify. I hope the gentlemen understand that I'm not a politician. I was only attempting --

MR. WEIR: As I say, I am offering you every possible facility and I will sit down with Mr. Upshall and Mr. Erwin and work out a daily record on a set of example accounts. Now I must confess I have some hesitation in going on with this discussion with you on this basis where we don't do that in detail.

Because, for instance, I think Mr. MacDonald got a completely wrong impression from your earlier statements. Maybe it's my fault and you are right and I am wrong. I'm just saying without doing it in detail and analyzing the whole account in detail I wouldn't like any conclusions to be drawn as to how many days this man gets credit or what the service charges are.

MR. IRWIN: Mr. Weir, I didn't draw any conclusions from the line of questioning because conclusions that might be drawn might be in error.

MR. WEIR: Well, as I say, I think we got the facts out earlier, Mr. Irwin. The statement you put to Mr. Upshall I agree with as far as the dates and times and such. Now whether the service charge applies and how much in means in percentage and such --

MR. IRWIN: If that interpretation could be wrong in fact -- I didn't make any interpretation because I realized, as I stated before, that the cycle account presents very, very (rest of statement inaudible).

I feel that your presentation and the presentation of these gentlemen here has been very, very helpful (rest of sentence inaudible)

There is just one thing I would like to mention for consideration. If we can find some kind of means of -- if it is to be done at all -- finding some universal terminology for the whole field of credit and one suggestion is -- I don't want to argue the case -- for instance, on the schedule of charges -- would there be any objection to adding that percentage,

whatever it might be, in each of the other echelons. In other words, adding another column where you show 1.2% for $500.00 (rest of sentence inaudible)

MR. WEIR: In this situation this morning I don't want to discuss it from the viewpoint of Eaton's. This involves a lot of ramifications I don't understand. But from the Retail Council viewpoint I just have to tell you that many of our members do it that way. Does that answer your question? I don't want to, at this point, say that it would affect or not affect Eaton's internal organization to print it differently. Maybe they find their customers just want it back in figures. I don't know.

MR. IRWIN: But you have no fundamental objection to that?

MR. WEIR: From the Retail Council viewpoint, I can only say the members, lots of them, do it that way.

MR. IRWIN: A further extension of the same question: Would you have any objection to that in a third column, that the 1.2% per month, for example, for $500.00 and over also is 14.4% per annum? Would you object to that?

MR. WEIR: Yes.

MR. IRWIN: Then the third question would be would you -- it occurs to me that possibly in your own interest, that is in the interest of people using that kind of account -- that perhaps we don't give sufficient explanation on their statement as to what the customer is in for or can take advantage of.

MR. WEIR: I can only say that we do -- there is a great deal from various people, including the Eaton Company, all sorts of informative booklets, there is an interview at which the girl tries to explain these to the customer; how much you can put usefully on a monthly statement that is going out every month, where you have to conserve space and other things, I don t know. But we would look at any suggestion that there be some -- in fact our own brief suggests certain things that we think should be, some few phrases that should be on every contract. In this area we would discuss with you any suggestions.

MR. IRWIN: Supposing you were to add a line which stated that no charge will be made in respect to an account or a purchase until it has been outstanding for 30 days.

MR. WEIR: We will consider that. As I say, I don't think I understand all the ramifications of that statement, but I would certainly be pleased to consider and answer your question when it has been considered.

MR. IRWIN: Well, that's all and thank you.

MR. REILLY: Your not suggesting methods of their doing business for them, Mr. Irwin, are you?

MR. IRWIN: I think this is important. No, I wouldn't suggest any methods of doing business.

MR. WEIR: Mr. Irwin has asked us to consider his suggestion and I will consider it. I

don't like to answer offhand, of course, Mr. Irwin, because I don't know the implications of it.

MR. IRWIN: Thank you very much. Oh, yes, one other point. Insofar as we understand it in some cases, there is an opening service charge. That is a charge to just open the account. But I gather in your case this is not true.

MR. WEIR: So far as I am aware none of the firms that we have discussed this with have such an opening charge. I think actually there has at least been put forward the theory there should be an opening charge.

MR. IRWIN: Well I would as soon put it the opposite way. I think it's a good policy that nobody should charge an opening charge.

MR. WEIR: Well I don't know, sir. Let me put it this way: I think there are theorists -- I've seen some American literature that suggests that from the public point of view it would be more equitable to charge an opening charge.

MR. REILLY: That might be $2.00 and might be 52% if you are going to want to know percentages.

MR. WEIR: That's right. There are some theorists in this area, that's all I can say, who say that there should be, much like the banks used to at one time, of charging you so much a cheque. As far as I know the people who have appeared before you have no opening charges and have not seriously considered them. I wouldn't like to make any general statement whether it is a good method of doing business or not a

good method.

MR. IRWIN: Well it just occurred to us that perhaps a couple of lines on the statement stating there is no charge at any time a purchase or a balance is paid in 30 days.

MR. WEIR: Well certainly for those who don't have an opening charge and who don't -- the only danger, of course, in all these things is you can, by rules of this kind, create an inflexibility. It may be found out that the public would rather have an opening charge. I don't know. I think the banks have found the charge per cheque is an acceptable thing to the public and may result in more efficiency and less cost to run your bank account. I don't know whether it has worked out well or poorly.

MR. MACDONALD: Do you find that your customers are critical of these service charges?

MR. WEIR: I'll leave that to Mr. Upshall, but I think the answer is no. I think Mr. Upshall is always impressed with the number of bank managers who run these accounts and have a service charge and presumably have access to the funds of the bank. (Laughter)

MR. LAWRENCE: I was just wondering about the other Provinces -- Eaton's is a national organization, of course -- can you tell us if there is legislation affecting any of these matters in any of the other Provinces?

MR. UPSHALL: There is legislation in Manitoba. We have certain forms to the contract, but

it does not include interest rates.

MR. LAWRENCE: And have you had to therefore change all of your contracts to meet the Manitoba specifications?

MR. UPSHALL: Yes.

MR. LAWRENCE: All of them. Am I to conclude then you have a single contract for all your stores right across the country?

MR. UPSHALL: No, we haven't because each Province has different regulations on it. Alberta has one set of rules and has one form and Manitoba has another.

MR. LAWRENCE: So you have a different form --

MR. UPSHALL: To meet the legislation in that particular Province.

MR. LAWRENCE: I see.

MR. WEIR: I think I should also explain to you that historically there is a change in these forms partly because of the old lien situation it varies from, the law of conditional sales itself, quite apart from charging or anything else, is different from Province to Province.

MR. LAWRENCE: Is your Ontario form only for Ontario? I mean do you break it down into divisions or what?

MR. UPSHALL: The form we use is pretty well for Ontario because it has different legislation too.

MR. LAWRENCE: I see. And this account

form goes out to the whole of the Province for all of your stores in this Province, is that right?

MR. UPSHALL: Yes.

MR. LAWRENCE: There is no difference in rate, is there, in any of your stores in Ontario?

MR. UPSHALL: There is a difference in rate, as we pointed out, between the store and the catalogue and they have budget accounts as well as the store. And so the statements are slighly different as to rates, but it's a fine line.

MR. LAWRENCE: But all of your store accounts in Ontario are done on the same rate on the same form?

MR. UPSHALL: Yes, the stores in Ontario, budget, charge, for the most part fall in the catalogue.

MR. LAWRENCE: And do your rates vary across the country?

MR. UPSHALL: Yes, they do. Quebec has legislation --

MR. LAWRENCE: Quebec has legislation dealing with rates?

MR. UPSHALL: Well, they have rates to this extent -- if you charge over a given amount you lose the right to repossess, this kind of thing. This has been in effect for years.

MR. LAWRENCE: Has any other Province legislation bearing on rates?

MR. UPSHALL: Not that I know of.

MR. LAWRENCE: Alberta?

MR. UPSHALL: Alberta has no legislation on rates. They have a new form, but no legislation on rates that I know of.

MR. LAWRENCE: Do you have an American subsidiary now?

MR. UPSHALL: Eaton's of Canada.

THE CHAIRMAN: Mr. Whicher, I believe you had a question?

MR. WHICHER: Mr. Upshall, on your deposit accounts what rate of interest do you pay?

MR. UPSHALL: 2½%.

MR. WHICHER: Is that annually or per month?

MR. UPSHALL: Annually.

MR. WHICHER: Annually 2½%. And do these deposit accounts fluctuate?

MR. UPSHALL: Yes, they fluctuate as purchases are made, yes.

MR. WHICHER: But you are able to express this as an annual rate.

MR. UPSHALL: This is on a monthly balance.

MR. SEDGWICK: Mr. Weir, I merely want some information. I wondered if you could give me, not now, reference to any States of the Union that have passed legislation dealing with rates? Could you give me a list of these books that you say have been written by U.S. experts -- I'd like the title s and where we could get them?

MR. WEIR: We will endeavour to give

you a reference list of materials. I don't think I will commit myself, Mr. Sedgwick, to giving you everything. I can tell you that the volume of literature on this in the United States would keep a small public library going all by itself.

MR. SEDGWICK: I assume so, but I thought there were one or two standard works that would contain a reference of the legislation in the various states that might be very helpful to this Committee.

MR. WEIR: I don't think I can give you one or two standard works. I can give you references to the, for instance, New York State, which has had a great deal of turbulence over this, a great many amendments over the years and I certainly will pick out another couple of States and give you the references that seem like sophisticated States, if I can put it that way. Those that have done some work on their law, let me put it no more than that.

MR. SEDGWICK: It would be very helpful.

MR. WEIR: I would be pleased to do that.

THE CHAIRMAN: Well, Mr. Weir, we appreciate your being here (rest of sentence inaudible)

MR. WEIR: Mr. Liston and Mr. Joe O'Kell. Mr. O'Kell is the Secretary and Mr. Liston is the Credit Manager of Simpson-Sears Limited. The only submission they have to make is they adopt the submission of the Retail Council, of which they are members.

MR. SEDGWICK: Mr. Chairman, I exhausted myself in the questions I asked Mr. Weir when he was

representing Eaton's. I take it both Mr. O'Kell and Mr. Liston were present both yesterday and today and agree with the answers that were given as to the practice --

MR. WEIR: I have already discussed that with them and they both have indicated that they don't think there were any inaccuracies in the statement.

MR. SEDGWICK: As there is no written brief, I can't think of anything that hasn't been answered.

THE CHAIRMAN: Mr. Irwin, do you have any problems?

MR. IRWIN: Mr. Chairman, this unidentified person who runs an account with Eaton's also runs an account with Simpson's.

MR. O'KELL: Are you speaking of Simpson's or Simpson-Sears?

MR. IRWIN: Simpsons. The Robert B. Simpson Company Limited, it says on the statement here.

MR. O'KELL: You must realize Mr. Liston, who is our technical expert here, has really nothing to do at all with Robert Simpson Company. They are two entirely different corporations.

MR. IRWIN: The Robert Simpson Company isn't represented here, is that right?

MR. O'KELL: No, sir.

MR. IRWIN: Would you say, or do you think that the method of Simpson's, relating to charges would be similar to Eaton's?

MR. WEIR: If you keep that word "similar"

I'm sure that's correct, but I wouldn't like to say that the number of days and that kind of thing doesn't vary just because of many different (     )_that kind of thing.

MR. IRWIN: In the example we had previously it would be the same (rest inaudible)

MR. WHICHER: Do you have deposit accounts too?

MR. LISTON: No, we don't.

MR. LAWRENCE: There are those, some of those, who feel -- in the retail business in Canada at any rate -- that the tie-up between the Robert Simpson Company and the Sears-Roebuck Company in the States anticipated quite a revolution in some of these credit accounts and the credit account business in Canada. Prior to the creation of Simpson-Sears was the credit account system as carried on by the Robert Simpson Company different than what Simpson-Sears now carries on?

MR. LISTON: Only to the extent that the cycle account is now in use. It has nothing to do with Simpson-Sears, though.

MR. LAWRENCE: You call it, rather Robert Simpson calls it, revolving credit. That was not in existence prior to Simpson-Sears, though, was it?

MR. LISTON: No.

MR. WEIR: I think the point Mr. Liston wants to make is he is not satisfied that simply because Simpson-Sears came into the picture that this account

was created. It was a development in department stores all over the world.

MR. LAWRENCE: I see. It wasn't an American influence coming into the Canadian scene at that time?

MR. LISTON: We followed the lead of competition.

MR. LAWRENCE: I see. Were you people trained by the Sears-Roebuck organization?

MR. LISTON: In what way?

MR. LAWRENCE: Well, I mean, is your major training experience. Was the Simpson-Sears organization, was it mainly trained by people from Sears-Roebuck?

MR. LISTON: (Inaudible)

MR. LAWRENCE: Does the Simpson-Sears credit set-up pretty well follow the Sears-Roebuck credit set-up?

MR. LISTON: No. Well, it's similar.

MR. LAWRENCE: But this is a North American development, not necessarily -- with your experience with the Sears-Roebuck organization, can you tell us if there has been any major developments in this regulation or restriction field in the States?

MR. LISTON: I don't know of any regulations, other than North Dakota.

MR. LAWRENCE: Somebody, somewhere along in our travels, mentioned California, some legisltation there.

MR. WEIR: We have not in our consider-

ations looked at, had our attention drawn to California legisltation. Mr. O'Kell understands there has been a lot of discussion in California, but he doesn't understand that any of it has passed through the legislative stage,yet. Yes, there has certainly been some discussion and maybe some material has appeared indicating that there was a discussion or a Committee or something in California, but as far as we know there is no legislative programme in California.

MR. LAWRENCE: But because you have such hemispheric connections, in any event, have you any suggestions other than the general brief. I think you have a clear idea of what we are worrying about now than perhaps you had when the brief was prepared. You people are unique in Canada because, I think, of your continental experience and connections. Can you guide us in any way?

MR. WEIR: Before Mr. Liston answers, if I may, Mr. Lawrence, I just want you to know that Mr. Liston and Mr. O'Kell with two other gentlemen you saw earlier today, were the prime draftsmen of the document which was presented yesterday and certainly Mr. Liston can add, but I think I can say to you that Simpson-Sears concurs in the suggestions made and they evolved out of their American experience. See if now Mr. Liston can answer your question. I wanted you to know that he participated very fully in the discussion leading to the brief.

MR. LISTON: I don't think I can add very much to that. We haven't come up with an answer.

MR. LAWRENCE: Obviously we haven't either.

MR. MACDONALD: Mr. Chairman, I wonder if Mr. Liston can give us an estimate anyway of the amount of your sales you do on credit?

MR. LISTON: Yes, sir. I would say -- this fluctuates in various parts of the country, but somewhere between 40 and 45%.

MR. WEIR: Now, we are referring to Simpson-Sears. Let's be clear about that.

MR. MACDONALD: I was interested just on this point, Mr. Chairman, if we take the revision of the figures from the statistics presented to us yesterday, that would apply to retail sales, it works out at 30%. Now the bank figure may take it up across the board to even 40%. You said 40 to 45 in your instance and the Eaton's representative said he thought it was as high as 50. Apparently it ranges up to 50 and I suppose the average would be 35 or 40.

MR. WEIR: I think when you go to it in large areas you have to recognize it isn't the same in all parts, so when you get segments of the trade, stores that don't have as many departments as Eaton's or Simpson-Sears, then you would get different percentages applying. Because these are gross figures taking furniture and silk stockings all in one.

MR. LISTON: The percentage would be much higher (rest inaudible)

MR. MACDONALD: Do you have a different charge for your store accounts than your mail order

accounts?

MR. LISTON: (Inaudible)

MR. MACDONALD: I should have asked this question earlier of Eaton's. Why is there a difference?

MR. WEIR: I think historically in dollars they are not actually very different. There is a little variation -- I think they answered it -- it probably because there are two different divisions and they have each come up together when revisions were made and were kept in the form of the previous one. That sort of thing.

MR. MACDONALD: I have no further questions, Mr. Chairman.

THE CHAIRMAN: Mr. Oliver?

MR. OLIVER: Well, I just have an interest in how we can get information in respect to the various states of the Union as to whether they have legislation bearing on this problem. It would seem to me that we should be able to get it from some central bureau in the United States who would have compiled the legislation, if any, of all the States of the Union. Surely we shouldn't have to go and try to find out from each State. My thinking is there must be some central place where we could get that information.

MR. WEIR: I think I could communicate with Mr. Sedgwick, sir, and give him what we think are the principal sources. We know of certain business services in the States, for instance, that give you information on this. I can tell you it is a bit of a

research job whether you get it in a library -- you know -- with hundreds of books on the shelf or whether you get it by communicating with each State because American States on the whole do not have the same kind of convenient revision that we now are used to in Ontario and such, and so you very often have to get the original Act and 26 separate amendments and put this together. And you go to a business service that often does that for you, something like the labour services and tax services. There are similar services in the United States.

MR. OLIVER: In Canada, of course, we could get it from the Department in Ottawa and I would think in Washington surely there would be some service available.

MR. WEIR: Well, sir, it's not that easy in Ottawa either.

MR. SEDGWICK: I don't know of any Department in Ottawa that reviews legislation. I don't know of one that compiles --

MR. WEIR: There is at least one service that attempts to give you a survey of these matters right across the States, but it is a very bulky thing, many volumes of looseleaf material. But we will communicate with Mr. Sedgwick and try and draw his attention because we have looked at what we think are the principal States that are worth investigating.

MR. LAWRENCE: Surely we are going to hear from our own people in our own Department regarding required legislation. I'm sure (rest inaudible)

MR. WEIR: Mr. Sedgwick asked me the question this morning and I'll endeavour to do what I can with it.

THE CHAIRMAN: Mr. White?

MR. WHITE: Mr. Liston, you are the Secretary at Simpson-Sears, are you?

MR. LISTON: No, Mr. O'Kell.

MR. WHITE: Mr. O'Kell is the Secretary and Mr. Liston is the Credit Manager?

Do you report to Mr. O'Kell?

MR. LISTON: No.

MR. WHITE: Do you both report to the President?

MR. O'KELL: Vice President of Finance.

MR. WHITE: Now, Mr. O'Kell, would you receive regular accounting statements summarizing the credit transactions of the company?

MR. O'KELL: No, this isn't my function.

MR. WHITE: Yes. Your function is the creditworthiness of your customers?

MR. O'KELL: No, that is also Mr. Liston's field, to examine the creditworthiness.

MR. WHITE: You try to keep the accounts up to date and take whatever action is necessary to collect. Is that your function, Mr. O'Kell?

MR. O'KELL: No, we don't handle that from the Secretary's office -- my principal interest in credit is to examine the legislation and to keep track of trends that are taking place in the various

Provinces and in the federal field. (Next sentence inaudible).

MR. WHITE: Well then, let me ask you this question, Mr. Liston. Do you receive accounting summaries of your credit transactions?

MR. LISTON: Yes, we do.

MR. WHITE: Are they weekly or monthly or quarterly or what?

MR. LISTON: Mainly monthly.

MR. WHITE: Mainly monthly. And would that paper show the closing account receivable?

MR. LISTON: Yes, it does.

MR. WHITE: Does it show the opening accounts receivable?

MR. LISTON: (Inaudible)

MR. WHITE: Does it show an average accounts receivable derived from these or other figures?

MR. LISTON: Well, that wouldn't be very difficult to get but it doesn't show it.

MR. WHITE: Does it show the total service charges applicable?

MR. LISTON: (Inaudible)

MR. WHITE: Does it show that figure as a ratio of the receivables?

MR. LISTON: No, it doesn't.

MR. WHITE: It doesn't. From your experience can you tell us about what that ratio might be as a percentage?

MR. LISTON: I would have to guess, which I don't like to do. In fact, I don't know what

it would mean after you get it. You must remember that part of the accounts receivable balance does not have the carrying charge added to it.

MR. WHITE: But you would break that down between your --

MR. LISTON: We don't. We don't have any experience really with charge accounts.

MR. WHITE: You don't have any. So all of your accounts are cycle accounts, are they? So the service charges are not applied in your total even though, as you say, there might not be a service charge.

MR. LISTON: (Inaudible)

MR. WEIR: I wonder if Mr. White has got that. You see, in the Simpson-Sears organization there are many people, I don't want to get to numbers, who,while the account is billed showing on the back that there would be a service charge applied, would go for years without ever having a service charge applied and, as Mr. Liston says, at Christmas time they might buy five or six hundred dollars worth of merchandise on the account. They send in the cheque by January 15th or something and you have this inflated receivables but there is actually no service charge collected on a very large amount of the credit given during that period.

MR. LISTON: So the percentage you would get would fluctuate.

MR. WHITE: So while Eaton's may be realizing 1½% or something less than that on their

budget charge accounts, you might have (next word inaudible). And so if legislation required retailers to show their service charges as a percentage of receivables -- and if you or other firms couldn't separate that out -- then you would have to apply it to the aggregate. In the case of Eaton's you would have to add back in their regular open charge accounts.

MR. LISTON: In which the percent becomes meaningless.

MR. WEIR: You would get down to a quarter or a half, of receivables.

MR. WHITE: And even though the accounts (rest of sentence inaudible)

Do you make any attempt to determine what portion of your total accounts receivable have been operated as installment accounts?

MR. LISTON: We do know roughly in each unit.

MR. WHITE: Would you care to say what portion of your receivables are installments? Could you get that for us?

MR. LISTON: (Inaudible)

THE CHAIRMAN: Mr. Edwards? Mr. Reilly?

MR. REILLY: Well, Mr. Chairman, in the brief it was suggested that it was difficult and even impractical to quote an annual percentage for cycle accounts. And this we agreed upon. Would you care to tell the Committee what your viewpoint would be regarding the value of interest rate quoted versus the dollar charge in your credit accounts?

MR. LISTON: I don't think I understand the question.

MR. REILLY: We have been discussing for some time the importance of revealing the true interest rate versus the dollar charge. From your experience would you care to give the Committee your viewpoint in connection with it?

MR. LISTON: Well, in my experience the customer doesn't really care about the percentage charge. We get very few inquiries about carrying charges. This leads me to believe the customer is happy with paying the charge for the service, but beyond that, I don't know.

MR. REILLY: On page 9 of your brief here, in your suggestions, you pointed out -- the two men, one on your left and one on your right, Mr. Weir, helped draft this particular brief. They have suggested that as far as repossession is concerned, if two-thirds of the value of the goods have been paid for that there should perhaps be no attempt at repossession. What was behind this particular suggestion?

MR. WEIR: I could answer this because this suggestion comes from beyond the group that are presently at the Council table. I think I can say to you that it was felt that there was some criticism, that people could pay as much as two-thirds of the cost of the refrigerator and still lose it. The repossession value is very slight so there would be a very small credit to the account and this man would be without his refrigerator and yet have paid something

more than two-thirds of its value. And since this is not the practice of any reputable merchant that we know and would only be done, as far as we know, by some irresponsible merchant, we came to the conclusion that this might be a valuable suggestion to make it clear beyond paradventure that the man who, once he has paid this substantial portion of the purchase should still have his debt, still owe the remaining third, now, but that he shouldn't be threatened because he misses one payment, suddenly has the range or the refrigerator or something taken out of his house. This is not the practice, as far as we know, of any reputable merchant to do it, when it has been substantially paid for. It might well be written as a loss to allay any public criticism.

MR. REILLY: In other words, it's merely a goodwill gesture on the part of the merchant?

MR. WEIR: Yes, because as far as we know there is no reputable merchant who would do it.

MR. LAWRENCE: I gravely doubt their legal right to do it anyway.

MR. WEIR: Well, sir, this is something that any particular merchant can undoubtedly correct, following the Conditional Sales Act.

MR. SEDGWICK: And there is precedent, at least in England, for that rule.

THE CHAIRMAN: What about New York?

MR. WEIR: No, my recollection is this is not an American practice. I think in the United States you can repossess with one dollar owing.

MR. LISTON: (Inaudible)

MR. SEDGWICK: You can repossess in Quebec, I think, but it's almost impossible, in practice, to do it.

MR. WEIR: We are leaving out practical problems in all this.

THE CHAIRMAN: Mr. Irwin?

MR. IRWIN: Mr. Chairman, I just wanted to ask a few questions. In the matter of Simpson-Sears schedule -- would you?

MR. WEIR: I gave one to Mr. Sedgwick.

MR. IRWIN: I see on the range of 500 and over there is a service charge quoted of 1.2%. Would you have any objection to adding another column to establish these echelon schedules in those terms?

MR. LISTON: Well, as a direct answer we would have no objection, I don't think. I wonder just how meaningful it would be, but I don't see --

MR. IRWIN: Would you have any objection to adding a third column which multiplies the monthly rate, subject to all the arguments and disagreements on how you can do this, to give an annual rate?

MR. LISTON: Yes. Our experts, and our PA's and our auditors have not been able to come with --

MR. REILLY: On the same question, Mr. Chairman, if you don't mind, do you think it would have any ill effect upon the employement and the economy by showing it?

MR. LISTON: There is no question in my mind that anything that makes it more difficult to purchase on credit would have a very marked effect on our whole economy.

MR. IRWIN: Here is a question. I don't know exactly but your method of charging is similar to that of Eaton's -- would you have any objection to putting somewhere on the form that if the charge or balance is paid within 30 days --

MR.LISTON: We would be very happy to do this. We do this in advertising, we wouldn't mind at all.

MR. WEIR: I'd like to be clear. Mr. Liston says this is done, not necessarily on that form at the present, but it is done in all sorts of brochures and advertising material and he sees no objection to its being adding as a line on the account.

THE CHAIRMAN: I think Mr. Liston said that very few criticisms or complaints are made by customers about the service charge but do you ever have any of your customers (rest of sentence inaudible)

MR. LISTON: Only in volume of business. (Laughter)

THE CHAIRMAN: (Inaudible)

MR. LISTON: Well, sir, we certainly endeavour to pass it out not only from a moral standpoint but from a standpoint of good, common business sense. to educate the customer on the business of control and how to budget his own affairs. And most of them, in

our experience, don't need it.

MR. WEIR: Mr. Chairman, I think I should say that we did a little bit of a survey at the time this came out and we found that there is a development in all merchants to have the credit interviewer sort of ascertain the experience of the purchaser and if the interviewer felt this was a purchaser who needed to sort of know something about budgeting their own life and such to enter into that field, but not to intrude on the customer, when the customer obviously knew exactly what they were doing. But as Mr. Liston says, the experience of most of the members of the Retail Council who we discussed this with, most of the customers are surprisingly well oriented in this field in recognizing they have got to find the $20.00 or something to keep this accountin good standing. They don't overpurchase that kind of thing, they don't go on jaggs or buying a lot they can't pay for.

I may say -- I think it would be of interest to the Committee to know -- that even those losses that are written off in this figure of one-quarter to one-half, in cases where there hasn't been a death or some serious family breakdown, very frequently four or five or six years later people return to the store and say, "I'd like to clean up that old balance I left some years ago," make an adjustment and put them back in good standing.

MR. LAWRENCE: What percent of the accounts do you write off?

MR. WEIR: I'm not talking about those in which there has been legal action, I'm talking about those that are just written off.

THE CHAIRMAN: Any others of the Committee want to ask any questions? Mr. Irwin?

MR. IRWIN: I think I asked Eaton's if they would do this and I would ask the same of you, a short outline of your methods of charging the service charge and a representative two or three examples. Is it possible, for instance, to buy on just an open account; they can have a budget account, they can have a cycle account, can they also have an open account?

MR. LISTON: No.

MR. IRWIN: I see, they can't -- at Simpson's they could?

MR. WEIR: Yes, and Eaton's in their main stores in Toronto both have a 30 day charge account, independently of the cycle account. Simpson-Sears have the cycle account which is used as a 30 day charge account by a large number of people.

MR. IRWIN: Supposing a person elected to open an account and they didn't pay it? Would there be a charge for the past 30 day balance?

MR. WEIR: There would be a charge for overdue payments, yes.

MR. IRWIN: There -- yes, that's what I mean, there would be a charge -- I presume when you open an account you have 30 days to pay and if you didn't pay in 30 days there would be a charge on the amount

unpaid.

MR. WEIR: I may say this is a very infrequent charge because the customer is contacted and invited to discuss their credit requirements and move to a different kind of account.

MR. IRWIN: But supposing a circumstance arose and there was necessarily a charge, what rate would it be?

MR. WEIR: Well, I think this varies but my recollection is -- may I discuss this?

A charge of 9%.

MR. IRWIN: So if an amount of $100.00 was overdue the customer would be charged $9.00?

MR. WEIR: Oh no, 9% per annum. But I don't want the Committee to think that this is a frequent entry on the books of either Simpson's or Eaton's. It is not because this customer is invited to go on a different plan.

THE CHAIRMAN: Thank you, gentlemen. I would like to express our appreciation for being here. We will adjourn now and carry on at ten o'clock tomorrow morning.

MR. WEIR: Mr. Chairman, I anticipate we will be very brief with Mr. Fletcher. Do you think it is possible to hear from him this morning. I'm only thinking of the time of all these gentlemen and, frankly, my own time.

THE CHAIRMAN: Would the Committee like--

MR. REILLY: Sure, let's go ahead and clean it up.

MR. WEIR: Thank you, Mr. Chairman. I appreciate that we have covered this ground and I can't believe that we will need a lot of time.

Mr. Fletcher is the Comptroller of Henry Morgan Company and, as you appreciate operates a number of stores in this area in Toronto and Ontario.

MR. SEDGWICK: I have just one or two questions. Henry Morgan is a wholly owned subsidiary of the Hudson Bay Company, is that right, sir?

MR. FLETCHER: That's right.

MR. SEDGWICK: Do you have anything to do with the Hudson Bay Company itself?

MR. FLETCHER: How do you mean?

MR. SEDGWICK: Well, I mean as Comptroller of Henry Morgan. Do you know anything about the credit facilities or practices of the Hudson Bay Company?

MR. FLETCHER: I was transferred from Hudson Bay in '48.

MR. SEDGWICK: Does the Hudson Bay Company extend credit of the same kind as Henry Morgan?

MR. FLETCHER: The accounts that we have in Toronto are exactly the same as the accounts in any Hudson Bay store. Our accounts in Toronto are different from Morgan's accounts in Montreal.

MR. SEDGWICK: I see. I take it not only Toronto but the Province that we are concerned with, the Province of Ontario, one would find this over

the Province uniform whether one shops at Morgans or the Hudson Bay Company?

MR. FLETCHER: That's correct.

MR. SEDGWICK: I'm just looking at the pamphlet that Mr. Weir was kind enough to give us and I see that it says, "A modest service charge of 1% of your balance owing will be added to your account at the beginning of each monthly business period". And I think you said that the 1% applies to hard goods. Is that right?

MR. FLETCHER: That's correct.

MR. SEDGWICK: I see.

MR. FLETCHER: The 1% is hard goods and the 1½% is soft goods.

MR. SEDGWICK: You do not use any kind of the table such as the one that has been shown as being used by Eaton's and Walker's? You don't have a table of service charges which sets out the dollar figure?

MR. FLETCHER: That's right.

MR. SEDGWICK: You just, at the end of the month take the balance -- I think it is 200 -- what I am interested in is how do you separate hard goods from soft goods? In the course of the month if I have bought a refrigerator, some stockings, some shirts and a suit, what do you do at the end of the month? Do you charge me 1 or 1½% on the balance?

MR. FLETCHER: You would open two accounts. One would be a permanent budget account for your soft goods and the other would be an account

for your hard goods.

MR. SEDGWICK: Oh, I see. So that my refrigerator and television, for instance, would all be on one account, is that correct? The 1% account?

MR. FLETCHER: Yes.

MR. SEDGWICK: My shirts and the suit and socks, they would be on the 1½% account, is that right?

MR. FLETCHER: That's right.

MR. SEDGWICK: So at the month's end I would get two accounts?

MR. FLETCHER: That's correct.

MR. SEDGWICK: Each one making the appropriate charge and each one subject to a specified monthly payment as shown on your little booklet, is that right?

MR. FLETCHER: That's right, yes.

MR. SEDGWICK: As to the amount, if I buy hard goods, for instance, is the monthly payment different than the monthly payment on soft goods?

MR. FLETCHER: The payout term is longer. They payout term on the soft goods account is operated on a six months basis.

MR. SEDGWICK: I see. So if my account was $100.00 you would divide that $100.00 by six and I would be expected to liquidate that in six months?

MR. FLETCHER: Right.

MR. SEDGWICK: And then 36 months is

for hard goods, is that right?

MR. FLETCHER: Up to.

MR. WEIR: It depends on the value, Mr. Sedgwick. If you get a large balance, then you get 36 months.

MR. SEDGWICK: Apart from that do you concur in what has been said by Mr. Weir and by the representatives of Eaton's and Simpson-Sears? Your practice follows their, does it?

MR. FLETCHER: Yes.

MR. SEDGWICK: Those are all my questions.

THE CHAIRMAN: Mr. Lawrence?

MR. LAWRENCE: Yes. This thing, as far as department stores, in my mind -- I can't speak for the rest of the Committee, is boiling down to one of language difficulty more than anything else. You don't like these charges being referred to as an interest charge, but presumably there is no objection because you people actually do it and one other large department store does it, they charge a percentage of the balance owing.

MR. FLETCHER: I see no objection to a percentage.

MR. LAWRENCE: You have no objection to a percentage, but the Counsel has strong objection to calling it interest. I'm saying it is boiling down to a problem of language more than anything else.

MR. WEIR: Let me clear this -- it's not me, personally, Weir. I think Mr. Fletcher concurs

that he would have stronger objections than I do to calling it annual interest. Let's be clear on that. I don't want the Committee to think these are my ideas. They are the ideas derived from working on this problem with Mr. Fletcher and Mr. Liston and others in the field. Now, let's be clear on that.

MR. LAWRENCE: Okay.

MR. WEIR: I'd like Mr. Fletcher to answer the question, to be clear. It's not my idea.

MR. LAWRENCE: Well, Morgan's and the Hudson Bay Company have had no difficulty in expressing this and having everybody understand it, as a percentage charge.

MR. FLETCHER: That's right.

MR. LAWRENCE: And in Ontario this is expressed as a percentage per month. How about in any of the rest of the Provinces. Is there any change?

MR. FLETCHER: No, that is to say, it is a percentage per month.

MR. LAWRENCE: In the west of the country. And in Quebec, how about there?

MR. FLETCHER: They also express it as a percentage but they have different accounts.

MR. LAWRENCE: I'm not talking about rate, I'm dealing with the expression itself. And any other legislation in Canada that you are aware of that would be of help to us here, that we should look at?

MR. FLETCHER: No.

MR. LAWRENCE: Thank you.

THE CHAIRMAN: Mr. MacDonald?

MR. MACDONALD: Mr. Chairman, can you give us an estimate of what percentage of your bills are on credit?

MR. FLETCHER: Yes. I'm just talking now about the local stores that we have here. It would be around 40%.

THE CHAIRMAN: Mr. White?

MR. WHITE: You are the Comptroller, Mr. Fletcher, and I suppose you are responsible for the money management of your firm, is that correct?

MR. FLETCHER: That's correct.

MR. WHITE: And at certain time of the year if you have got a surplus of money you are expected to invest that in Treasury Bills or something?

MR. FLETCHER: No, that is not correct. I am only the Comptroller of the stores in this area, that is the Toronto and Hamilton stores. I do not arrange any financing.

MR. WHITE: You don't arrange to place surplus money and you don't by the same token arrange to borrow money if the demand is high?

MR. FLETCHER: No.

MR. WHITE: Would you get the regular accounting reports submitted to you showing the credit transactions of the branches for which you are responsible?

MR. FLETCHER: Yes.

MR. WHITE: And that would show presumably the monthly accounts receivable balance?

MR. FLETCHER: That's correct.

MR. WHITE: Would it show the opening balance?

MR. FLETCHER: No, well the statements preceding it would show that.

MR. WHITE: Yes. Is any effort made to reckon the average daily accounts receivable balance?

MR. FLETCHER: No.

MR. WHITE: Your service charges for the month are also shown on this statement?

MR. FLETCHER: That's correct.

MR. WHITE: Now, I don't want to embarrass you by asking for trade secrets, but are your service charges shown as a percent of your receivables?

MR. FLETCHER: No they are not, but I think we must explain this in our case because we are a little different than the other stores. We have two sets of service charge, 1% on our hard goods and 1½% on our soft goods. We have three types of accounts. We have charge accounts, which are 30 day accounts, we have the permanent budget and we have the continuous deferred payment. So since we know what rate we are charging on our opening account, we can segregate the service charges earned against the opening balance. So if we have an opening balance on

our permanent budget account of $10,000.00, we are going to have during that month an earning of 1½%. And in the case of our continuous deferred payment accounts we are going to have 1%. We know this, this is our charge. Now this varies, the amount would vary with different types of accounts.

MR. WHITE: That doesn't actually show you your yield on your average money at risk though, does it?

MR. FLETCHER: No, it doesn't.

MR. WHITE: It would be fractionally different than the 1%, let's say, on the deferred accounts, fractionally different?

MR. FLETCHER: That's right, that's correct.

MR. WHITE: Do you happen to know if the yield is a little higher or a little lower than the 1%, on that type of account?

MR. FLETCHER: Lower.

MR. WHITE: It's lower than 1%. Because the purchasers are sophisticated enough to use these to their advantage?

MR. FLETCHER: That's right.

MR. WHITE: I can't think of any further questions.

MR. MACDONALD: Mr. Chairman, one other question. Your practices are unique in that you have these two sets of accounts, the 1% and the 1½%. Again I'll ask you a trade secret. What has led you to adopt this more complicated approach?

MR. WEIR: Mr. MacDonald, before Mr. Fletcher answers, I don't want to say this is unique. We have tried to put before you a variety. We think we have covered the variety between Morgan's, Simpson-Sears and Eaton's. I don't want to say there aren't other merchants in the Retail Council, for instance, that have variations of these four, more or less, kinds of accounts. Subject to that I'll let Mr. Fletcher answer your question, but I want it to be clear that I don't think it is necessarily unique to Morgan's.

MR. FLETCHER: I must say that I had nothing to do with the drafting of these various types of accounts, but the general purpose of the accounts is that the Company's feeling is that we should segregate soft type merchandise from the hard and that we should not let the payoff period exceed the length of the life of the article. So if you are buying a suit we are not going to allow you three years to pay for your suit because by the end of three years you will have bought three or four new suits. We want to relate the payoff period to the life of the merchandise, so we create an urge to buy again.

THE CHAIRMAN: Mr. Irwin?

MR. IRWIN: Yes. I'd like to take a moment to look into the accounting again. Let's take a hard goods account where the charge is 1% per month. If a person bought an article for $100.00 at the first of the month, and at the end of the month he has a $100.00 balance, he would be charged

$1.00. Is that right?

MR. FLETCHER: No. He would be charged nothing the first month.

MR. IRWIN: Then he goes on to the second month, at the end of the second month he would then be charged $1.00. So that if he bought the article at the first of August and he paid at any time in August or he paid at any time in September there would be no charge?

MR. FLETCHER: If he bought it in August?

MR. IRWIN: The first day of August.

MR. FLETCHER: And he paid for it in August, there would be no charge.

MR. IRWIN: Let's take another example. If he didn't pay for it in August but he paid for it on the 2nd of September, would there be a charge?

MR. FLETCHER: There would be a charge of 1%, because he would have had an opening balance.

MR. IRWIN: Well then let's make it that he bought it on the 2nd of August. If he pays for it on the 2nd of September would there be a charge?

MR. FLETCHER: Beg pardon?

MR. IRWIN: Supposing he bought the article for $100.00 on the 2nd of August and he paid for it on the 2nd of September, would there be a charge? The point being, at the end of August when your bookkeeper starts making out the accounts there

wouldn't be a balance.

MR. FLETCHER: The cycle closes on the 2nd of August, is that what you are saying?

MR. IRWIN: The cycle begins the first of August --

MR. FLETCHER: So this would be a new cycle then, would it, the second one? The man buys on the 2nd of August and his cycle ends on the first of September and we are on a new cycle.

MR. IRWIN: And he pays on the second of September --

MR. FLETCHER: He would be charged a service charge.

MR. IRWIN: He would pay a service charge. That's what I want to establish. Now, supposing he bought -- the cycle begins on the first of August and he bought on the 30th of August and he pays on the 2nd of September, would there be a charge?

MR. FLETCHER: Yes, there would be a charge.

MR. IRWIN: Thank you.

MR. LAWRENCE: In other words it's a 30 day credit period. It works both ways, it's six of one and a half dozen of the other as far as the company is concerned. It's just a difference in operation. It's more a mechanical problem than anything else, I would imagine. It's all in the way of doing it.

THE CHAIRMAN: Well, the Committee

is very appreciative of your coming, Mr. Fletcher. Are we going to hear from Mr. Weir again tomorrow morning?

MR. WEIR: No, sir, but as I said earlier, Mr. Chairman, as long as the Committee lasts I want you to feel free by Mr. Sedgwick getting in touch with my firm we will do anything we can in the way of technical help or advice. The Council is virtually at your disposal. We have got two or three things laid out and I will endeavour to send Mr. Sedgwick a memo with some help in this comparative area. I don't want to overstate how much we can do because it's going to take a lot of work on somebody's part.

THE CHAIRMAN: Thank you, Mr. Weir.

---WHEREUPON THE MEETING WAS ADJOURNED UNTIL 10:00 A.M., AUGUST 19, 1964.